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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

In re BANC OF CALIFORNIA
SECURITIES LITIGATION

) No. SACV 17-00118 AG (DFMx)
) consolidated with
) SACV 17-00138 AG (DFMx)

This Document Relates To:

) CLASS ACTION

ALL ACTIONS.

) CONSOLIDATED AMENDED
) COMPLAINT FOR VIOLATION OF
) THE FEDERAL SECURITIES LAWS

) DEMAND FOR JURY TRIAL

1 Lead Plaintiff Iron Workers Local No. 25 Pension Fund (“Iron Workers” or
2 “Plaintiff”), individually and on behalf of all others similarly situated, by Plaintiff’s
3 undersigned attorneys, for Plaintiff’s complaint against defendants, alleges the
4 following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and
5 upon information and belief as to all other matters based on the investigation
6 conducted by and through Plaintiff’s attorneys, which included, among other things, a
7 review of United States Securities and Exchange Commission (“SEC”) filings by
8 Banc of California, Inc. (“Banc” or the “Company”), as well as Company press
9 releases and conference call transcripts and other media reports and public documents.
10 Plaintiff believes that substantial additional evidentiary support will exist for the
11 allegations set forth herein after a reasonable opportunity for discovery.

12 **NATURE OF ACTION AND OVERVIEW**

13 1. This is a securities class action on behalf of all persons who purchased
14 Banc publicly traded securities between October 29, 2015 and January 20, 2017,
15 inclusive (the “Class Period”), seeking to pursue remedies under the Securities
16 Exchange Act of 1934 (“1934 Act”). These claims are asserted against Banc and
17 certain of its former officers who made materially false and misleading statements
18 during the Class Period.

19 2. Banc is a financial holding company operating in commercial banking,
20 mortgage banking, financial advisory and corporate banking. Banc is the parent of
21 Banc of California, National Association, a national bank.

22 3. In 2010, an investment firm known as COR Capital LLC (“COR”) was a
23 lead investor in the recapitalization of Banc’s predecessor, First Pactrust (“FPB”). In
24 2010, defendant Steven Sugarman (“Sugarman”), COR’s owner and managing
25 member, joined FPB’s Board of Directors (“Board”), and in 2012 became Chief
26 Executive Officer (“CEO”) of FPB. In July 2013, FPB renamed itself Banc of
27 California touting itself as a “community reinvestment” lender. Under Sugarman’s
28

1 direction, Banc grew from less than \$1.5 billion in assets to more than \$10 billion in
2 assets in 2016.

3 4. Throughout the Class Period, defendants violated the federal securities
4 laws by making materially false and misleading statements and omissions to the
5 investing public. In particular, during the Class Period, defendants: (1) omitted
6 material information from their public statements about numerous connections CEO
7 Sugarman and other top Banc executives and directors had with convicted securities
8 fraudster Jason Galanis (“Galanis”); (2) misled investors about the independence of
9 Banc’s “disinterested directors” in its SEC filings in connection with their approval of
10 related-party transactions that put millions in the pockets of Sugarman and his family;
11 and (3) failed to disclose that Banc’s management was in the midst of an internal
12 investigation into the Company’s ties with Galanis. These materially misleading
13 omissions caused Banc’s stock to trade at artificially inflated prices during the Class
14 Period, reaching a high of \$23.12 per share on August 8, 2016.

15 5. On October 18, 2016, the truth about connections between Banc insiders
16 and a convicted fraudster began to be revealed when a *SeekingAlpha.com* contributor
17 published an article entitled, “*BANC: Extensive Ties to Notorious Fraudster Jason*
18 *Galanis Make Shares Un-Investible.*” The article laid out an intricate web of ties
19 between Galanis, convicted of running multi-million dollar securities fraud Ponzi
20 schemes, and Banc’s senior most officers and directors, including CEO Sugarman. It
21 further identified Galanis as having a “long history of secretly gaining control of
22 banks and public companies via front men, looting assets, and leaving unsuspecting
23 investors and taxpayers with hundreds of millions in losses.”

24 6. The *SeekingAlpha* article, based on extensive research of public records,
25 concluded that: (1) Galanis, through a network of related corporations and limited
26 liability companies, had indisputable ties to Sugarman, COR and other Banc insiders;
27 (2) an off-balance sheet lender controlled by Sugarman and other Banc senior
28 executives was used as a means to finance Galanis amidst his fraudulent schemes and

1 transfer fraudulently obtained assets; and (3) Banc's Lead Independent Director, Chad
2 Brownstein ("Brownstein") had material financial ties to Sugarman and COR, which
3 raised concerns about Brownstein's independence as a Banc director with regard to his
4 approval of related-party transactions that financially benefitted Sugarman and his
5 family.¹

6 7. In response to the *SeekingAlpha* article, Banc's stock price plummeted
7 29%, from a close of \$15.87 on October 17, 2016 to a close of \$11.26 per share on
8 October 18, 2016, on a volume of 17.2 million shares.

9 8. On October 18, 2016, after market close, Banc publicly addressed the
10 *SeekingAlpha* article, admitting it had been aware of the allegations concerning
11 Galanis's ties to Banc and its executives *for more than a year* and that Banc's Board,
12 acting through "disinterested directors," had already conducted an "independent"
13 investigation into the matter. While Banc publicly touted that its investigation failed
14 to uncover any ties between Galanis and the Company or Sugarman, defendants knew,
15 but failed to disclose, that the investigation was anything but independent; in truth, it
16 was being directed by management who had a stake in the investigation's outcome
17 and a law firm (Winston & Strawn LLP) who was personal counsel for both Sugarman
18 and Banc.

19 9. Fallout from the revelations in the *SeekingAlpha* article began
20 immediately. On October 24, 2016, one of Banc's largest shareholders sent a letter to
21 Sugarman chastising him for failing to heed previous warnings about Banc's
22 "corporate governance weaknesses" and "questionable related-party transactions [that]
23 were placing [Banc] and its shareholders at risk." The letter also demanded that Banc
24 replace Winston & Strawn LLP with an independent law firm to conduct the
25 investigation into ties with Galanis.

26 ¹ Following publication of the *SeekingAlpha* article, and in response to Banc's denial
27 of the allegations, the article's author created a website where all of the author's
28 research was downloaded. The website is www.bancexposed.com and includes links
to hundreds of pages of documents that support the author's conclusions.

1 10. On January 23, 2017, more bad news was publicly disclosed. Banc
2 announced that its response to the *SeekingAlpha* article triggered an SEC investigation
3 and publicly admitted it misled investors about the nature of its “independent”
4 investigation into the ties with Galanis. Banc admitted its investigation was not
5 directed by disinterested board members as originally represented, but rather by
6 Company “management.” Banc also announced it hired WilmerHale to replace
7 Winston & Strawn due to conflicts of interest. While Banc disclosed WilmerHale’s
8 preliminary findings in the press release, stating that its inquiry had not found any
9 evidence that Galanis had any direct or indirect control over Banc, tellingly, ***Banc did***
10 ***not confirm management’s previous conclusion that there were no ties between***
11 ***Galanis and Sugarman and/or other Banc executives or directors.*** Sugarman’s
12 resignation was announced the same day. And just two weeks later, Brownstein
13 stepped down as Banc director.

14 11. On this news, Banc shares fell \$1.50 per share, or nearly 10%, to close on
15 January 23, 2017 at \$14.65 per share.

16 12. Shortly after the Class Period, Banc publicly admitted that during the
17 Class Period, it had a material weakness in its internal controls over financial
18 reporting stemming from an inadequate “tone at the top,” rendering Banc’s disclosure
19 controls and procedures ineffective. The Company announced an extensive
20 remediation plan, including approval of a new policy to tighten controls on the outside
21 business activities of Banc’s executives and board members, such as those engaged in
22 by Sugarman, and a new policy to “add rigor” to the review of related-party
23 transactions. Banc also disclosed that the CEO and Chairman positions previously
24 held by Sugarman were being separated, that Brownstein’s former role as lead
25 independent director was being eliminated and that the Compensation, Nominating
26 and Corporate Governance Committee (“CNCG Committee”), which Brownstein
27 chaired, was being separated into two separate committees.

JURISDICTION AND VENUE

1 15. This Court has jurisdiction over the subject matter of this action pursuant
2 to 28 U.S.C. §1331 and §27 of the 1934 Act.

17. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the New York Stock Exchange (“NYSE”).

THE PARTIES

19. Defendant Banc is a financial holding company organized under the laws of the United States with its principal executive offices located in Santa Ana,

1 California. The Company's stock is traded under the ticker "BANC" on the NYSE, an
2 efficient market.

3 20. Defendant Sugarman was, at all relevant times, President, CEO and
4 Chairman of the Board of Banc, before his departure in January 2017. Before and
5 during the Class Period, Sugarman owned and controlled COR, the entity that led the
6 2010 recapitalization of Banc. Before and during the Class Period, Sugarman also
7 owned and/or controlled COR Securities Holdings, Inc. ("COR Securities"), its
8 subsidiary COR Clearing LLC ("COR Clearing") and COR Advisors LLC ("COR
9 Advisors").² In 2006, Sugarman co-authored a book called *The Forewarned Investor:
10 Don't Get Fooled Again By Corporate Fraud*, in which Sugarman detailed common
11 red flags for financial fraud.

12 21. Defendant James J. McKinney ("McKinney") joined Banc in July 2015
13 as Chief Accounting Officer ("CAO") and was named Banc's Chief Financial Officer
14 ("CFO") in November 2015. After less than a year as CFO, Banc announced
15 McKinney's resignation on September 20, 2016. During the Class Period, McKinney
16 as CAO and CFO reviewed, approved and signed Banc's SEC Form 10-Q and 10-K
17 filings, which contained false and misleading statements and omissions.

18 22. The defendants referenced above in ¶¶20-21 are collectively referred to
19 herein as the "Individual Defendants." During the Class Period, the Individual
20 Defendants omitted material information from investors that made their public
21 statements false and misleading causing the prices of Banc common stock to be
22 artificially inflated during the Class Period.

23 23. The Individual Defendants, because of their positions with Banc,
24 possessed the power and authority to control the contents of Banc's quarterly reports,
25 press releases and presentations to securities analysts, money and portfolio managers
26 and institutional investors, *i.e.*, the market. They were provided with copies of Banc's

27 _____
28 ² "COR" will also refer to COR Securities, COR Clearing and COR Advisors.

1 reports and press releases alleged herein to be misleading prior to or shortly after their
2 issuance and had the ability and opportunity to prevent their issuance or cause them to
3 be corrected. Because of their positions with Banc, and their access to material non-
4 public information available to them but not to the public, the Individual Defendants
5 knew that the adverse facts specified herein had not been disclosed to and were being
6 concealed from the public and that the positive representations being made were then
7 materially false and misleading. The Individual Defendants are liable for the false and
8 misleading statements pleaded herein.

9 **SUBSTANTIVE ALLEGATIONS**

10 **Sugarman Was the Face of Banc of California**

11 24. Banc of California was the brainchild of longtime associates Brownstein
12 and Sugarman. In 2010, Brownstein and Sugarman led a \$60 million recapitalization
13 of Banc's predecessor, FPB, with Sugarman's COR as the lead investor.

14 25. In 2010, Sugarman became a FPB board member and, in 2012, became
15 CEO. At 38, and with no experience ever running a bank, Sugarman was the youngest
16 CEO of a bank with a market value exceeding \$500 million. Brownstein was brought
17 in as a non-executive, independent director in 2011. In July 2013, under Sugarman's
18 direction, FPB re-launched itself as Banc of California.

19 26. Since 2010, Banc's growth has been staggering, with assets growing
20 from \$1 billion in 2010 to over \$10 billion during the Class Period. Under
21 Sugarman's direction, Banc's growth was fueled by acquisitions, many of which were
22 related-party transactions, and loan growth. From Banc's start, Sugarman sought to
23 raise Banc's profile by promoting it as "California's bank" and trying to establish its
24 reputation as a community leader around the state. Banc, through Sugarman's
25 relentless promotional efforts, created a "community" friendly reputation by
26 cultivating relationships with politicians and celebrities in order to project an air of
27 success and credibility as "California's bank."
28

27. For example, inside Banc's 2015 Annual Report to shareholders, entitled "California Strong," Sugarman was pictured with former President Bill Clinton and former Los Angeles Mayor Antonio Villaraigosa, and Sugarman's face was also featured on a billboard entitled "California Strong." There were also images of former Los Angeles Dodgers and Hall of Fame Sports Broadcaster Vin Scully and of famed chef and restaurateur, Wolfgang Puck. Investors increasingly adopted Sugarman's promotional narratives and Banc's shares doubled during his tenure.

28. During the Class Period, Sugarman publicly and repeatedly stressed to investors the importance of talented personnel and management to achieve financial growth and success, proudly emphasizing that "[t]he quality of our value proposition and our success is founded in the quality of our people." That the public perception and reputation of Banc's top executives and overall leadership was a consistent point of emphasis in Sugarman's public statements to investors and the market at large should come as no surprise since Sugarman himself wrote in his 2006 book that "[t]he question of who's in charge is . . . an important one to ask when considering an investment, because many investors will be surprised to find that not all CEOs are exactly who they say they are."

Banc Insiders Had Undisclosed Ties to Securities Fraudster Jason Galanis Through COR, Camden and Prospect Global

29. "Any CEO with a questionable past should raise immediate alarm bells among investors, who should demand increased safeguards for any future activities if they are to stay with the company." Brett S. Messing and Steven A. Sugarman, *The Forewarned Investor: Don't Get Fooled Again by Corporate Fraud* (2006) ("Messing & Sugarman").

30. During the Class Period, defendants knew but failed to disclose numerous ties between Galanis and Banc's CEO Sugarman, Lead Independent Director Brownstein and Executive Vice President and Vice Chair Jeffrey Seabold ("Seabold"). From 2011 through the Class Period, Sugarman owned COR, the entity

1 that led the 2010 recapitalization of Banc predecessor, FPB. According to research
2 conducted by the *SeekingAlpha* article's author, before and during the Class Period,
3 COR was part of a group of companies and investment-related entities controlled by
4 Galanis, a known securities fraudster.

5 31. Although investors were unaware of Galanis's ties to Banc and its top
6 leadership, Galanis's white collar criminal activities were no secret. On
7 September 24, 2015, prior to the start of the Class Period, the United States
8 Department of Justice ("DOJ") and the SEC charged Galanis with orchestrating
9 multiple schemes to defraud investors of millions of dollars. From 2009 to 2011,
10 Galanis, along with six others, engaged in a scheme to defraud the shareholders of a
11 publicly-traded company called Gerova Financial Group, Ltd. ("Gerova") by
12 obtaining secret control over millions of shares of Gerova stock and then manipulating
13 the market for the stock as the defendants caused their secretly held shares to be sold.
14 As part of the scheme, Galanis fraudulently generated demand for Gerova stock by
15 bribing investment advisers to purchase for client accounts the Gerova stock that was
16 sold by Galanis and others, thereby enabling Galanis to cash out from the scheme and
17 make millions in illegal profits. Galanis pled guilty to these charges in July 2016 and
18 was sentenced to a six-year prison term in February 2017.

19 32. In May 2016, while out on bail for the Gerova fraud, the DOJ and SEC
20 again criminally and civilly charged Galanis with securities fraud, this time in
21 connection with orchestrating a Ponzi scheme to defraud investors and a Native
22 American tribal entity of tens of millions of dollars ("Tribal Bond Scheme"). A
23 former director of Sugarman's COR Securities, Hugh Dunkerly ("Dunkerly"), was
24 also charged with securities fraud in connection with the Tribal Bond Scheme.
25 Between 2014 and 2016, Galanis, Dunkerly and other co-conspirators induced a
26 Native American tribal entity to issue bonds based on lies about how the bond
27 proceeds would be invested. Galanis and the others pocketed the bond proceeds to
28 pay for their own personal expenses, homes, cars, travel, and jewelry. Galanis also

1 allegedly defrauded unwitting investors into buying the bonds by hiding material facts
2 about them, including their lack of liquidity. Galanis pled guilty to the Tribal Bond
3 Scheme in January 2017.

4 33. As disclosed in the *SeekingAlpha* article, Sugarman's COR and Galanis
5 controlled the same offshore insurance company, Valor Group ("Valor"), a Bermuda-
6 based insurance holding company. Valor and its subsidiaries were central to the
7 Tribal Bond Scheme and were controlled by Galanis to carry out the fraud. According
8 to the SEC, Galanis controlled Valor and its subsidiaries to finance the purchase of
9 investment managers, who in turn purchased the Tribal Bonds on behalf of their
10 clients. Sugarman's brother, Jason Sugarman, who was also a consultant with one of
11 Banc's subsidiaries, was chairman and CEO of Valor during the Tribal Bond Scheme.
12 Dunkerly, a former COR director, incorporated Valor while still at COR, and served
13 as President of Valor while still at COR.

14 34. As disclosed in the *SeekingAlpha* article, and confirmed by public
15 records, Valor's subsidiary Wealth-Assurance, who also played a role in the Tribal
16 Bond Scheme, was part of COR. Wealth-Assurance's website confirms that in 2014 it
17 was "majority-owned by the strong US financial group COR Capital." Burnham
18 Securities, who acted as the placement agent in the Tribal Bond Scheme, was also part
19 of COR and, according to documents obtained by the SEC, operated out of the same
20 building as Banc's corporate headquarters during the fraud.

21 35. In addition to his control over Valor, as disclosed in the *SeekingAlpha*
22 article, documents obtained by the SEC in their investigation of the Tribal Bond
23 Scheme, show that Galanis used COR to demonstrate his financial backing to acquire
24 the investment firms used to perpetrate the fraud. A June 2014 email from Galanis to
25 a co-conspirator attached a document titled "Introduction to COR Capital," which
26 Galanis used to demonstrate his financial backing for acquisition of the investment
27 firms. During the Tribal Bond Scheme, Galanis also represented to his co-
28

1 conspirators that he controlled companies associated with COR, including COR itself.
2 According to the SEC, Galanis installed officers at COR to conceal his control.

3 36. Before and during the Class Period, Sugarman also held a majority
4 interest in an entity named JAS Partners 1, LLC (“JAS Partners”). JAS Partners,
5 along with Banc’s Vice-President Seabold, controlled Camden Capital Partners, LLC
6 and its off-balance sheet lender Camden Real Estate Opportunity Fund I (collectively
7 “Camden”). According to the *SeekingAlpha* article, and based on public records, in
8 2014 and 2015, Camden was used to finance Galanis amidst the Tribal Bond Scheme
9 and was utilized for transactions with Galanis during the Gerova securities fraud.

10 37. The research conducted by the *SeekingAlpha* article also revealed ties
11 between Galanis and Banc’s Lead Independent Director Brownstein. In 2011, a
12 private investment firm run by Brownstein was a major investor in Prospect Global
13 Resources Inc. (“Prospect Global”) and Brownstein served as Vice Chair of the
14 company. According to the SEC complaint in the Gerova fraud, Galanis transferred
15 proceeds he fraudulently obtained from Gerova to Prospect Global, which the SEC
16 identified as a company Galanis controlled. As disclosed in the *SeekingAlpha* article,
17 Brownstein, through his investment company, along with Galanis’s wife, were
18 shareholders of Prospect Global’s 2011 reverse merger entity.

19 38. By the start of the Class Period, defendants were aware of the above-
20 alleged ties between Galanis and Sugarman, Brownstein and Seabold. In 2015,
21 Banc’s management became aware of and initiated an internal investigation into
22 Galanis’s control over COR. Not only were defendants aware of Galanis’s lengthy
23 history of white collar financial crime, including indictments for taking control of
24 Gerova and defrauding shareholders, they were also aware that Galanis was using
25 Banc’s name in connection with the Tribal Bond Scheme and was controlling COR to
26 run that scheme out of the same building as Banc’s headquarters. Although
27 defendants knew of Galanis’s ties to Sugarman, Brownstein and Seabold, and
28 Galanis’s control of COR, they were motivated to conceal these facts from investors,

1 as well as Banc's internal investigation, because of the impact such material
2 information would have on Banc's integrity and reputation, including the reputation
3 Sugarman had built for Banc as a community leader.

4 **Brownstein's Director Independence Was Impaired Due to His Material**
5 **Financial Relationships with Sugarman**

6 Surrounding themselves with lackeys and "yes-men" is common
7 behavior among rogues: without a strong board to veto dubious business,
8 a CEO can act however he pleases. A board stacked with cronies not
9 only gives a potentially crooked CEO free rein, it also can create
10 conflicts of interest, which increases the likelihood of misconduct by
11 creating competing loyalties. Watch for directors who are also service-
12 providers, for family members in key executive positions, and for former
13 employees who now serve on the board. Disclosure does not cleanse the
14 problems associated with conflicts of interest. It simply alerts investors
15 that there may be trouble down the road.

16 *Messing & Sugarman, Don't Get Fooled Again by Corporate Fraud.*

17 39. Beginning in 2012, long-time associates, Brownstein, who served as
18 Banc's Lead Independent Director and Chairman of the CNCG Committee, and
19 Sugarman were Banc's top leadership.

20 40. As Chairman of the CNCG Committee, Brownstein was responsible for
21 determining executive compensation, including Sugarman's as CEO, and reviewing
22 and approving related-party transactions, including several transactions that personally
23 benefitted Sugarman and his family.

24 41. One of the deals approved by Brownstein as chair of the CNCG
25 Committee was Banc's 2013 acquisition of an asset management firm, the Palisades
26 Group ("Palisades"), which leased space from COR and had months before the
27 acquisition, signed a five-year \$600,000 consulting contract with Sugarman's brother,
28 Jason Sugarman. As part of the Palisades acquisition, Brownstein also approved

1 reimbursement of over \$90,000 in lease payments to COR for Palisades' occupancy of
2 the office space leased by COR.

3 42. Another related-party transaction approved by Brownstein was Banc's
4 2013 acquisition of CS Financial, which was owned by Seabold and Sugarman's
5 family: his brother Jason, sister-in-law Elizabeth and father Michael. Banc acquired
6 CS Financial for \$10 million. Over half the proceeds from the sale (in the form of
7 Banc stock) went to Sugarman's family and a portion of the proceeds were used to
8 repay a debt owed by CS Financial to Sugarman's sister-in-law.

9 43. As Lead Independent Director and Chairman of the CNCG Committee,
10 Brownstein was subject to the NYSE director independence standards for listed
11 companies. Under the NYSE listing standards, Brownstein could only be considered
12 independent if he had no material relationship with Banc or Banc's management.
13 However, before and during the Class Period, Brownstein's director independence
14 was impaired because of material financial relationships he had with Sugarman and
15 COR.

16 44. According to the *SeekingAlpha* article, and based on public records,
17 Brownstein received loans from Camden, an entity owned and controlled by
18 Sugarman and Seabold. The research of public records conducted by the
19 *SeekingAlpha* author, shows that in 2013 Brownstein received an undisclosed loan via
20 Camden, secured by Brownstein's Los Angeles mansion.

21 45. Brownstein also had undisclosed financial ties to Sugarman through
22 Prospect Global. Following Prospect Global's reverse merger in 2011, COR engaged
23 in a variety of complex transactions with Prospect, with COR owning 9% of Prospect
24 Global. In a 2011 agreement signed by Sugarman, COR was awarded additional
25 shares in exchange for becoming Prospect Global's investor relations consultant.

26 46. Defendants knew but failed to disclose that because of Brownstein's
27 financial ties with Sugarman, he did not meet the NYSE listing standards for director
28

1 independence when the related-party transactions concerning Palisades and CS
2 Financial were reviewed and approved by the CNCG Committee and the Board.

3 **During the Class Period Banc's Top Management Lacked Any Regard for**
4 **the Company's Internal Controls**

5 The latest brick in the wall of agencies and legislation that's meant
6 to hold back boardroom thieves is the Sarbanes-Oxley Act of 2002.
7 Passed in the wake of the scandals at Enron, WorldCom, and other high-
8 flying companies of the late 1990s, Sarbanes-Oxley is designed to
9 compel more corporate accountability from top executives at publicly
10 traded companies. Among other things, it requires chief executives to
11 personally sign off on a company's financial statements, making it
12 harder for them to dodge responsibility and pass the buck, as it were, to
13 their subordinates.

14 Messing & Sugarman, *Don't Get Fooled Again by Corporate Fraud*.

15 47. During the Class Period, Banc's management was able to conceal from
16 investors the ties between Sugarman and Galanis and Brownstein's lack of
17 independence due to Banc's admittedly materially deficient internal controls. On
18 March 1, 2017, in the late-filed 3Q16 10-Q and the FY16 10-K, Banc acknowledged
19 "material weaknesses" in its internal controls over financial reporting. As Banc
20 admitted:

21 (a) an inadequate "tone at the top" regarding the importance of
22 internal controls over financial reporting gave rise to a material weakness in Banc's
23 control environment;

24 (b) Banc's "tone at the top" did not appropriately prioritize its internal
25 controls over financial reporting; and

26 (c) ineffective "tone at the top" impacted a number of processes
27 resulting in an ineffective risk assessment process, ineffective monitoring activities
28

1 and insufficient resources or support which caused the Company to experience an
2 increase in the number of control deficiencies across multiple processes.

3 48. Banc's lack of controls permitted defendants to conceal during the Class
4 Period the truth about the ties between Galanis and the Company's most senior
5 executives and directors, which included its CEO and Lead Independent Director.
6 Banc subsequently took the following remedial actions to correct its material
7 weaknesses in its internal controls:

8 (a) separated Sugarman's positions of Chairman of the Board and
9 CEO into two positions following his termination;

10 (b) created an "Office of the CEO/President" following Sugarman's
11 termination to improve "tone at the top" and place a renewed emphasis on compliance
12 and control;

13 (c) eliminated the lead independent director and vice chair role
14 previously held by Brownstein;

15 (d) enhanced the efficiency and transparency of Banc's Board
16 committees by eliminating the Executive Committee and separating the CNCG
17 Committee into two separate committees one focused on compensation and the other
18 focused on corporate governance;

19 (e) implemented a new policy to tighten controls on outside business
20 activities, such as those engaged by Sugarman, including limiting outside business
21 activities by officers and employees and requiring non-employee directors to avoid
22 outside business activities which would create a conflict of interest or appearance of
23 such; and

24 (f) implemented a policy to limit related-party transactions and require
25 a more rigorous review prior to any approval.

26 49. Banc's lack of internal controls and inadequate "tone at the top" during
27 the Class Period is also confirmed by Banc's admission that it misled investors in its
28 October 18, 2016 press release concerning its purported "independent" investigation

1 into the *SeekingAlpha* article allegations. In truth, the purported “independent”
 2 investigation amounted to nothing more than a ruse because it was directed by Banc’s
 3 management, who was implicated in the article, and a law firm that had conflicts of
 4 interest because it was personal attorney for both Banc and Sugarman.

5 50. During the Class Period, defendants made false and misleading
 6 statements and material omissions in their earnings press releases and conference
 7 calls, Banc’s 2015 Annual Report to Shareholders, Banc’s SEC filings, including its
 8 10-Qs, 10-Ks and April 16, 2016 Proxy Statement (“Proxy”), that artificially inflated
 9 the price of Banc common stock that Plaintiff and other members of the Class
 10 purchased.

11 **DEFENDANTS’ FALSE AND MISLEADING STATEMENTS** 12 **ISSUED DURING THE CLASS PERIOD**

13 **October and November 2015 Misleading Statements and Omissions**

14 51. “In the new atmosphere of heightened scrutiny, you’d think that a rogue
 15 would have to be crazy to try to fool regulators or carry off an elaborate scam. But as
 16 we’ve seen throughout this book, the hubris of the corporate fraudster knows no
 17 bounds.” Messing & Sugarman, *Don’t Get Fooled Again by Corporate Fraud*.

18 52. The Class Period begins on October 29, 2015, when Banc issued an
 19 earnings press release reporting its third quarter 2015 financial results. In the press
 20 release Sugarman acknowledged that Banc’s positive results for the third quarter were
 21 attributed to Banc’s success in growing client relationships and reorganization of
 22 Banc’s Board and management team. Sugarman, Chairman and CEO, was quoted,
 23 stating:

24 “The third quarter was highlighted by strong core deposit growth
 25 and accelerating loan originations in our commercial banking
 26 segment We are especially pleased with the growth of noninterest
 27 bearing deposits during the quarter which reflect our team’s success
 28 growing and deepening client relationships.”

* * *

“The third quarter results mark the sixth straight quarter since the reorganization of our bank’s Board of Directors and management team in which the Company has executed consensus earnings estimates, and we are on pace to exceed analysts’ full year 2015 consensus earnings estimates”

53. On the same day, Banc held a conference call for analysts, media representatives and investors. During the conference call Sugarman emphasized the importance of building trust with Banc’s shareholders, clients and the community, but failed to disclose his ties to Galanis:

We at Banc of California are proud to have partnered with California, its diverse businesses, entrepreneurs and homeowners to support and benefit the state’s bright economic future. Our goal is to serve California, its thriving communities and great customers effectively and consistently throughout the spectrum of market and business cycles. We seek to empower our client streams. We’re excited by our prospects and our 1,600 employees work hard every day to exceed our customer and ultimately our investor expectations.

* * *

The strength and stability of earnings is even more impressive given that over the past six quarters we have continued to invest in and grow the Company from \$4 billion in assets to \$7.3 billion today. These financial returns put us on track to deliver against our run rate targets of 1% return on assets and 15% return on tangible common equity by year-end. We are laser focused on delivering on these commitments we have made to our stakeholders. We believe one of the most important thing[s] we can do is to do what we say we’re going to do. This holds true not

1 only for our shareholders, but for our clients, communities and
2 employees as well.

3 54. During the conference call, Sugarman also acknowledged Banc's
4 management as an essential component in Banc's success, stating: "As we look
5 forward to 2016, we remain aware that our results will reflect the talents and
6 commitments of our people. To this end, we've been relentlessly pursuing top talent
7 to oversee our business at every level." When responding to questions about the
8 Company's search for a new CFO, Sugarman stated:

9 I think that we have a very thoughtful and positive process. We've seen
10 very strong candidates both externally and internally and have been very
11 happy with our progress. What I think I'm most pleased about is in going
12 through the process, you get to really look at the talent and strength of
13 your team and think through needs and opportunities and what's really
14 kind of emerged is clarity on the real talented, experienced and strong
15 financial team we have that focuses on our capital markets activities, our
16 treasury activities, our accounting and our strategic planning and with
17 that, as I mentioned in my comment, we believe our transition is going to
18 be seamless. We don't see risks and we're proceeding apace and expect
19 to have an announcement for you in the near term.

20 55. On November 6, 2015, Banc filed its 10-Q with the SEC, which
21 contained Banc's third quarter 2015 financial results ("3Q15 10-Q"). The 3Q15 10-Q
22 was signed by Sugarman and McKinney. Under the "Related-Party Transactions"
23 section of this 10-Q, several "Transactions Involving Steven A. Sugarman" were
24 identified as approved and reviewed by Brownstein as an ostensibly independent
25 director, including "The Palisades Lease Payment Reimbursements," "The Palisades
26 Consulting Agreement" and the "CS Financial Acquisition."

27 56. According to the 3Q15 10-Q, in 2013, Banc acquired Palisades, an asset
28 management firm, which leased space from COR and had months before the

1 acquisition signed a five-year \$600,000 consulting contract with Sugarman's brother,
2 Jason Sugarman. Brownstein as an ostensibly independent director approved the
3 acquisition and ratified the consulting agreement with Jason Sugarman. Brownstein
4 also approved reimbursement of over \$90,000 in lease payments to COR for the
5 Palisades' occupancy of office space leased by COR.

6 57. The "Related-Party Transactions" section of the 3Q15 10-Q also
7 identified the CS Financial Acquisition as one of the "Transactions Involving
8 Steven A. Sugarman." In 2013, Banc acquired CS Financial, which was owned by
9 Seabold and Sugarman's family, including his brother Jason and his wife Elizabeth,
10 and Sugarman's father Michael. Banc acquired CS Financial for \$10 million. The CS
11 Financial transaction was approved by Brownstein in his capacity as an ostensibly
12 independent director. Over half of the proceeds Banc paid for CS Financial (in the
13 form of Banc stock) went to Sugarman's family and a portion was used to repay a debt
14 owed by CS Financial to Sugarman's sister-in-law.

15 58. The 3Q15 10-Q also incorporated risk factors identified in Banc's Annual
16 Report on Form 10-K for the year ended December 31, 2014 ("FY14 10-K"), which
17 included the following risk disclosure:

18 **Managing reputational risk is important to attracting and**
19 **maintaining customers, investors and employees.**

20 Threats to our reputation can come from many sources, including
21 adverse sentiment about financial institutions generally, unethical
22 practices, employee misconduct, failure to deliver minimum standards of
23 service or quality, compliance deficiencies and questionable or
24 fraudulent activities of our customers. We have policies and procedures
25 in place to promote ethical conduct and protect our reputation. However,
26 these policies and procedures may not be fully effective. Negative
27 publicity regarding our business, employees, or customers, with or
28 without merit, may result in the loss of customers, investors and

1 employees, costly litigation, a decline in revenues and increased
2 governmental oversight.

3 59. The statements made on October 29, 2015 and in Banc's 3Q15 10-Q, as
4 set forth in ¶¶52-58, were materially false and/or misleading when made because
5 defendants knew or recklessly disregarded, and failed to disclose, the following:

6 (a) By October 29, 2015, defendants knew, or were reckless in not
7 knowing, that Galanis had been charged with criminal and civil securities fraud and
8 Banc was undertaking an internal investigation into ties between Galanis and Banc
9 insiders. When the statements in ¶¶52-58 were made, defendants were aware, or
10 recklessly disregarded, that Sugarman, Seabold and Brownstein all had ties to Galanis
11 and that Galanis was using COR to perpetrate the Tribal Bond Scheme. Defendants
12 also knew, or recklessly disregarded, that Camden, which was owned and/or
13 controlled by Sugarman and Seabold, was used to finance Galanis amidst the Tribal
14 Bond Scheme and engaged in transactions with Galanis during the Gerova Fraud.
15 Defendants knew or recklessly disregarded that these facts would adversely affect
16 Banc's reputation and concealment of the facts was placing shareholders at risk;

17 (b) With regard to the "Related-Party Transactions" section of the
18 3Q15 10-Q, defendants knew, or recklessly disregarded and failed to disclose, that
19 Brownstein, who was responsible for reviewing and approving Banc's related-party
20 transactions, was not independent. Defendants knew, but failed to disclose, that
21 because of Brownstein's material financial ties with Sugarman, he did not meet the
22 NYSE Corporate Governance Listing Standards for director independence when the
23 related-party transactions concerning Palisades and CS Financial were reviewed and
24 approved by the CNCG Committee and Board; and

25 (c) Banc's "tone at the top," for which Sugarman as Banc's CEO had
26 ultimate ownership responsibility, was not one that emphasized best business practices
27 or honest and complete disclosures. Banc's admitted material weaknesses in Banc's
28

1 internal controls meant that defendants were able to conceal Sugarman, Brownstein
2 and Seabold's relationships with Galanis.

3 **December 2015 Misleading Statements and Omissions**

4 60. On December 31, 2015, Banc issued its 2015 Annual Report to
5 shareholders. In a letter to shareholders, Sugarman emphasized the Company's strong
6 leadership and a Company culture focused on "driving shareholder value." In the
7 letter to shareholders Sugarman stated:

8 We Are California Strong.

9 Just over two years ago, the Board of Directors made difficult changes in
10 the leadership of the Company. At the recommendation of our
11 independent Governance Committee comprised of Vice Chair Chad
12 Brownstein, Risk Committee Chair Jonah Schnel, and Community
13 Development Committee Chair Eric Holoman, the Board took decisive
14 action to restructure the Company's leadership team and governance for
15 the benefit of shareholders. The Board not only replaced several
16 members of the executive team, but several members of the Board itself.

17 This strategic action marked a key turning point for Banc of
18 California, setting the foundation for the strong results we achieved in
19 2015. That transaction also marked my appointment as Chairman,
20 President and Chief Executive Officer of our bank subsidiary.

21 Since this transition, we have built a culture focused on
22 empowering California and driving shareholder value. . . .

23 * * *

24 We are successful at building businesses, in part, because our leadership
25 team is comprised of seasoned entrepreneurs with the experience of
26 starting and building their own businesses.

27 * * *

1 In closing, I would like to thank our valued clients who have
2 chosen Banc of California as their financial partner, our employees who
3 dedicate themselves to delivering on our mission every day, our
4 dedicated Board who works tirelessly on behalf of our stakeholders, our
5 shareholders who have entrusted us to be stewards of their capital, and
6 our communities which make California a great place to conduct
7 business and grow California's Bank.

8 61. The statements in ¶60 were materially false and misleading when made.
9 The true facts which were then known to or recklessly disregarded by defendants were
10 as described in ¶59.

11 **January and February 2016 Misleading Statements and Omissions**

12 62. On January 28, 2016, Banc issued a press release announcing its fourth
13 quarter and full year 2015 financial results. In the press release Sugarman touted the
14 quality of Banc's employees and boasted about Banc's No. 1 ranking for total
15 shareholder return in 2015, stating in part:

16 "Banc of California finished 2015 with accelerating growth and
17 profitability across our businesses," said Steven Sugarman, Chairman
18 and Chief Executive Officer. "Our return on tangible common equity
19 over 15% and return on assets over 1% demonstrates the long-term
20 earnings power of our franchise. Combining these returns with our
21 industry leading growth continues to yield significant value creation for
22 shareholders. Our strong results are a testament to the hard work and
23 dedication of our talented employees, who as employee-shareholders
24 take pride in the shared success in growing the long-term value of the
25 franchise. I am also particularly proud that Banc of California ranked #1
26 for total shareholder return in 2015 of all west coast banks included on
27 Forbes Magazine's list of America's Top 100 banks."
28

1 63. On the same day, Banc held a conference call for analysts, media
2 representatives and investors. During the conference call Sugarman reiterated Banc's
3 ranking on *Forbes* Magazine list of America's Top 100 Banks and praised Banc's
4 independent directors for their performance stating:

5 These strong results [for 2015] led [to] the Banc of California
6 being recognized as one of America's Top 100 Banks by Forbes
7 Magazine this month. On that list, we ranked number four in terms of
8 total shareholder return in 2015 and I'm proud to say that we were
9 number one amongst West Coast banks in terms of total shareholder
10 return. These accomplishments are a result of the strategic investments
11 the Company has made over the last two plus years, since I took the
12 helm as CEO of our Bank during the fourth quarter of 2013. I am
13 thankful to our strong and independent Board of Directors for providing
14 the Company the capital, the strategic oversight and the resources needed
15 to build California's top performing bank in terms of total return to
16 shareholders in 2015.

17 64. On February 18, 2016, Banc filed its Annual Report on Form 10-K with
18 the SEC which contained Banc's 2015 year-end financial results ("2015 10-K"). The
19 2015 10-K was signed by Sugarman and McKinney. Under "Risk Factors," Banc's
20 2015 10-K contained a risk disclosure titled, "Managing reputational risk is important
21 to attracting and maintaining customers, investors and employees," which was
22 identical to the one incorporated into its 3Q15 10-Q as set forth in ¶58.

23 65. The "Related-Party Transaction" section of the 2015 10-K contained the
24 identical statements concerning related-party "Transactions Involving Steven A.
25 Sugarman," which are set forth in ¶¶55-57.

26 66. The statements in ¶¶62-65 were materially false and materially
27 misleading when made. The true facts which were then known to or recklessly
28 disregarded by defendants were as described in ¶59.

1 **April 15, 2016 Misleading Statements and Omissions in Banc's Proxy**
2 **Statement**

3 67. On April 15, 2016, Banc filed its Proxy with the SEC, which was signed
4 by Sugarman. Banc was using the Proxy to solicit proxies from shareholders for use
5 at Banc's annual meeting. Among the items up for vote at the meeting was the re-
6 election of Sugarman as Banc director.

7 68. The Proxy contained a materially false and misleading biography of
8 Sugarman. Sugarman's biography touted his involvement with COR but failed to
9 disclose the ties Sugarman and those companies had to Galanis. The Proxy states in
10 relevant part:

11 Mr. Sugarman is the Chair, President and Chief Executive Officer
12 of the Company. Mr. Sugarman has served as a director of the Company
13 and the Bank since November 2010, Chief Executive Officer of the
14 Company since September 2012 (and for a month prior, acted as co-
15 Chief Executive Officer of the Company) and President of the Company
16 and President and Chief Executive Officer of the Bank since November
17 2013. Mr. Sugarman continues as the Chief Executive Officer and
18 director of COR Securities Holdings Inc., the parent company of COR
19 Clearing LLC (of which he is Chair of the Board), a national securities
20 clearing firm, and remains the Managing Member of COR Capital LLC,
21 a Southern California-based firm that was a lead investor in the
22 November 2010 recapitalization of the Company. Prior to that,
23 Mr. Sugarman was a founding partner of GPS Partners LLC, a \$2 billion
24 investment firm. Previously, Mr. Sugarman worked at Lehman Brothers;
25 founded and serves as Chief Executive Officer of Sugarman Enterprises,
26 Inc.; and founded The Law Offices of Steven Sugarman, Inc.
27 Mr. Sugarman began his career as a management consultant at
28

1 McKinsey & Company and is a graduate of the Yale Law School and
2 Dartmouth College.

3 * * *

4 Mr. Sugarman's experience in running the day-to-day operations
5 of the Bank and in capital markets and investment matters makes him a
6 valued member of the Board.

7 69. The Proxy also contained a materially false and misleading biography of
8 Brownstein. Brownstein's biography touted his involvement with Prospect Global but
9 failed to disclose his ties to Galanis through that company and failed to disclose his
10 material financial relationship with Sugarman, which impaired his independence as
11 Lead Independent Director.

12 70. The "Corporate Governance Matters" section of the Proxy stated the
13 following with regard to the purported independence of the Board's directors:

14 In accordance with the NYSE Corporate Governance Listing
15 Standards and the Company's Corporate Governance Guidelines, the
16 Board conducted an annual review of all relationships between the
17 Company and each Director and Director Nominee and has affirmatively
18 determined that, with the exception of Mr. Sugarman, who is a Company
19 employee, each non-employee director (Messrs. Benett, Brownstein,
20 Holoman, Karish, Schnel and Sznewajs) has only immaterial
21 relationships with the Company, and accordingly each has been
22 determined by the Board to be independent under these standards.

23 71. The "Transactions With Related Persons" section of the Proxy contained
24 the identical statements concerning related-party "Transactions Involving Steven A.
25 Sugarman," which are set forth in ¶¶55-57.

26 72. The statements made in the Proxy, set forth in ¶¶68-71, were materially
27 false and misleading because defendants knew, or recklessly disregarded, and failed to
28 disclose the following:

1 (a) Sugarman's biography failed to disclose that before and during the
2 Class Period, he had ties to Galanis and that as reported in the *SeekingAlpha* article,
3 Galanis was using COR and its related entities in his Tribal Bond Scheme.
4 Defendants also failed to disclose the ties Sugarman had with Galanis through
5 Camden and Prospect Global;

6 (b) Brownstein's biography failed to disclose his ties with Galanis
7 through Prospect Global and his material financial ties with Sugarman. Sugarman and
8 Brownstein's material financial relationship and their involvement with Galanis, a
9 convicted securities law violator, bore directly on their honesty and integrity in
10 serving in their positions as Banc's top leadership, and defendants were aware that
11 such information was material to investors;

12 (c) Defendants knew, or recklessly disregarded, and failed to disclose
13 that Brownstein, who was responsible for reviewing and approving the related-party
14 transactions, was not independent as represented in the Proxy. Defendants knew but
15 failed to disclose that because of Brownstein's material financial ties with Sugarman,
16 he did not meet the NYSE Corporate Governance Listing Standards for director
17 independence; and

18 (d) Banc's "tone at the top" for which Sugarman as Banc's CEO had
19 ultimate ownership responsibility, was not one that emphasized best business practices
20 or honest and complete disclosures. Banc's admitted material weaknesses in Banc's
21 internal controls meant that defendants were able to conceal Sugarman's and
22 Brownstein's relationships with Galanis.

23 **April and May 2016 Misleading Statements and Omissions**

24 73. On April 21, 2016, Banc issued a press release announcing its first
25 quarter 2016 financial results. The release stated in part:

26 "Based on total shareholder return since the beginning of 2015,
27 Banc of California is the #1 performing bank stock amongst Forbes'
28 Magazine's list of America's Top 100 Banks," said Steven Sugarman,

1 Chairman and Chief Executive Officer of Banc of California. “In the
2 first quarter of 2016 alone, Banc of California’s 21% return
3 outperformed the next closest bank by 7%. As all our employees are
4 shareholders, we are proud and excited by this accomplishment. The
5 continued strength of our financial performance showcases our strategy,
6 focus and execution quarter-over-quarter as we are winning market share
7 and top talent. Banc of California is a business built for the long-term.”

8 * * *

9 “Banc of California has meaningfully deleveraged and simplified
10 its balance sheet, increased its liquidity and streamlined its businesses
11 and organizational structure during 2016,” said James McKinney, Chief
12 Financial Officer of Banc of California. “We expect these actions will
13 not only make us a safer and stronger financial institution, but they will
14 be accretive to the holders of our debt, preferred stock and common
15 stock. These actions are part of our strategy to strengthen, and increase
16 the durability of, our balance-sheet and liquidity in advance of our
17 growth beyond \$10 billion in assets. We will continue to seek
18 opportunities to strengthen our franchise for the benefit of all our clients
19 and other stakeholders.”

20 74. On the same day, Banc held a conference call for analysts, media
21 representatives and investors during which defendant Sugarman represented the
22 following:

23 We believe we are in the midst of a secular realignment of top
24 banking talent from which Banc of California is uniquely well positioned
25 to take advantage of. The addition of talented individuals and teams
26 such as these further validates that our value proposition is taking hold
27 and driving increasing market share gains.
28

1 As California's bank, our value proposition differentiates itself
2 from banks owned or managed out of state or out of country.
3 California's diverse clients and most talented employees appear
4 increasingly clear in their preference for California's bank.

5 * * *

6 As always, we continue to ensure that our governance, corporate
7 structure, policies, and strategic planning best positions us for success.
8 This process has been a heightened focus, given our approaching \$10
9 billion in assets. To that end, during 2016, we liquidated PTB Property
10 Holdings LLC and announced the sale of the Palisades Group.

11 This leaves our bank as the only subsidiary of our holding
12 company and simplifies our organizational structure and therefore
13 simplifies regulatory considerations at the holding company level. Also,
14 we have simplified our capital structure and delevered our balance sheet
15 by paying off \$42 million of SBLF and \$85 million of senior debt.

16 75. On May 4, 2016, Banc filed its Quarterly Report on Form 10-Q with the
17 SEC which contained Banc's first quarter 2016 financial results ("1Q16 10-Q"). The
18 1Q16 10-Q was signed by Sugarman and McKinney. The "Related-Party
19 Transactions" section of the 1Q16 10-Q contained the identical statements concerning
20 related-party "Transactions Involving Steven A. Sugarman," which are set forth in
21 ¶¶55-57.

22 76. Under "Risk Factors," Banc's 1Q16 10-Q incorporated the risk
23 disclosures from its 2015 10-K, including a risk disclosure titled, "Managing
24 reputational risk is important to attracting and maintaining customers, investors and
25 employees." See ¶58.

26 77. The statements in ¶¶73-77 were materially false and materially
27 misleading when made. The true facts which were then known to or recklessly
28 disregarded by defendants were as described in ¶59.

1 **July and August 2016 Misleading Statements and Omissions**

2 78. On July 21, 2016, Banc issued a press release announcing its second
3 quarter 2016 financial results. The release stated in part:

4 “Our strong second quarter performance is the direct result of our
5 differentiated value proposition as California’s Bank. Based on total
6 shareholder return since the beginning of 2015, Banc of California is the
7 #1 performing bank stock amongst Forbes’ Magazine’s list of America’s
8 Top 100 Banks,” said Steven Sugarman, Chairman and Chief Executive
9 Officer of Banc of California. “Banc of California’s scale as a \$10
10 billion bank is enabling the achievement of our long-term financial
11 targets. This includes a return on tangible common equity over 15% and
12 a return on assets over 1%. We are proud of these accomplishments.
13 The consistent and strong financial performance showcases our strategy,
14 focus and execution quarter-over-quarter. We are winning market share
15 and we are winning top talent. Banc of California is a business built for
16 the long-term.”

17 79. On the same day, Banc held a conference call for analysts, media
18 representatives and investors during which defendant Sugarman represented the
19 following:

20 To all our investors who entrusted us with their capital over the
21 past several years, our announcement is a sign that their confidence in us
22 was not misplaced and that our strategy is on track. I want to thank each
23 of them again today for their confidence in the Banc of California vision.

24 With the support of key investors and our Board of Directors, we
25 have built what is now the only midsize bank focused on California.
26 We have distinguished ourselves from peers based on our size and our
27 California focus, and we are thrilled to be so well positioned to serve
28

1 what we believe is the most attractive banking market in the country,
2 California.

3 80. On August 4, 2016, Banc filed its Quarterly Report on Form 10-Q with
4 the SEC which contained Banc's second quarter financial results ("2Q16 10-Q"). The
5 2Q16 10-Q was signed by Sugarman and McKinney. The "Related-Party
6 Transactions" section of the 2Q16 10-Q contained the identical statements concerning
7 related-party "Transactions Involving Steven A. Sugarman, which are set forth in
8 ¶¶55-57.

9 81. Under "Risk Factors," Banc's 2Q16 10-Q incorporated the risk
10 disclosures from its 2015 10-K, including a risk disclosure titled "Managing
11 reputational risk is important to attracting and maintaining customers, investors and
12 employees." See ¶58.

13 82. The statements in ¶¶78-81 were materially false and materially
14 misleading when made. The true facts which were then known to or recklessly
15 disregarded by defendants were as described in ¶59.

16 THE TRUTH BEGINS TO EMERGE

17 83. "The signs of fraud are often uncovered by a small number of people who
18 have been watching a company closely. When those people start to make their
19 findings public, they may be the voice of the minority, but they may have important
20 information to share. Even if a stock is still on the rise, don't discount skeptics out of
21 hand, especially if they're people with knowledge of the industry in question."
22 Messing & Sugarman, above.

23 84. On October 18, 2016, an article published by *SeekingAlpha* revealed the
24 ties between Galanis and Banc insiders. The article stated in part:

25 *Our research establishes that BANC's senior-most officers and*
26 *board members have a broad mosaic of extensive and indisputable ties*
27 *to Jason Galanis. We believe this introduces a significant un-*
28

1 *discounted risk that notorious criminals gained control over the \$10*
 2 *billion taxpayer guaranteed Banc of California.*

3 Jason Galanis and his infamous father, John Galanis, have a *long*
 4 *history of secretly gaining control of banks and public companies via*
 5 *front men*, looting assets, and leaving unsuspecting investors and
 6 taxpayers with hundreds of millions in losses. The mere presence of a
 7 bank leadership team associated with Galanis should send diligent
 8 investors running for the hills.

9 We see striking similarities between BANC and Gerova Financial,
 10 a \$1 Billion NYSE listed financial institution that collapsed on the
 11 revelation of Galanis's secret control. Like BANC, Gerova's executives
 12 had significant ties to Galanis and touted their community reinvestment
 13 efforts with politicians to establish credibility. In the end, the promotion
 14 was a diversion from a giant fraud that left investors with devastating
 15 losses.

16 *As a result, we believe Banc Of California is simply un-*
 17 *investible.*

18 A summary of key research conclusions we are releasing in this
 19 report include:

- 20 • **Jason Galanis Controlled COR, BANC's Founding**
 21 **Shareholder.** SEC documents detail how Galanis gained control of
 22 COR portfolio companies to orchestrate the Tribal Bonds Ponzi Scheme.
 23 Galanis laid claim to Banc of California to display his financial
 24 wherewithal and even managed the scheme out of an office in the same
 25 building as BANC's headquarters.
- 26 • **An Off-Balance Sheet Lender Controlled By BANC's Senior-**
 27 **Most Officers Financed Galanis.** Steven Sugarman holds an
 28 undisclosed interest in Camden Capital, an off-balance sheet lender

1 controlled by BANC's Vice Chairman, Jeffrey Seabold. Camden was
 2 used to finance Galanis amidst the recent Tribal Bond Scheme and
 3 engaged in transactions with Galanis during the Gerova Financial fraud.

4 • **BANC's Lead "Independent" Director Has Strong Ties To**
 5 **Galanis.** BANC's Lead "Independent" Director, Chad Brownstein, has
 6 strong ties to Jason Galanis, his indicted associates, and COR Capital.
 7 Mr. Brownstein also accepted an undisclosed loan from Camden that is
 8 secured by his Los Angeles Mansion but appears to finance his outside
 9 business ventures.

10 • **We See Similarities Between BANC And Galanis's Gerova**
 11 **Financial fraud.** In wrapping BANC in the flag of "community
 12 reinvestment," Steven Sugarman has recycled a nearly identical narrative
 13 to what Galanis propagated at Gerova Financial. Further parallels
 14 include a leadership team and founding shareholder with undisclosed ties
 15 to Galanis, a bevy of suspect related party transactions, and the use of
 16 opaque assets as regulatory capital.

17 (Emphasis in original.)

18 85. In response to the *SeekingAlpha* article, on October 18, 2016, Banc
 19 issued a press release in which Banc admitted it had been aware of allegations relating
 20 to Galanis for over a year and that Banc's Board, acting through its "disinterested
 21 directors," had already initiated a "thorough independent investigation" led by
 22 Winston & Strawn and had received regular reports from regulators over the past year
 23 concerning the matter.

24 86. In the October 18, 2016 press release, Banc also disclosed the results of
 25 the purported "independent" investigation, denying that Galanis had any control over
 26 it, or any entity owned or affiliated with Sugarman. Defendants, however, knew, but
 27 failed to disclose, the investigation was anything but independent because it was being
 28

1 directed by management (who had a stake in the investigation's outcome) and
2 Winston & Strawn who had served as personal counsel for both Sugarman and Banc.

3 87. On November 16, 2016, Banc issued a press release announcing a delay
4 in the filing of its 3Q16 10-Q with the SEC in order to allow the Company's Special
5 Committee to finish its investigation "into certain purported improper relationships
6 and related party transactions and related matters."

7 88. Then on January 23, 2017, Banc announced more bad news. In a press
8 release, Banc admitted it misled investors about the independence of its investigation
9 into the ties between Galanis and Banc insiders and had overstated the degree of
10 contact between Banc and regulators. Banc disclosed that the SEC launched a formal
11 investigation against Banc.

12 89. On January 23, 2017, Banc also announced it hired WilmerHale to
13 investigate the ties between Galanis and Banc insiders. Although Banc disclosed
14 WilmerHale's preliminary findings in the press release, stating that its inquiry had not
15 found any evidence that Galanis had any direct or indirect control over Banc, Banc did
16 not confirm management's previous conclusion that there were no ties between
17 Galanis and Sugarman and/or other Banc executives or directors. Sugarman's
18 "resignation" was announced the same day. Two weeks later, Banc announced
19 Brownstein also stepped down as Banc director.

20 90. As a result of the January 23, 2017 news, shares of Banc stock dropped
21 \$1.50 per share, to close at \$14.65 per share, a decline of 9% on volume of nearly 6.5
22 million shares.

23 91. As a result of defendants' material misstatements and omissions, Banc
24 common stock traded at artificially inflated prices during the Class Period. However,
25 after the above revelations seeped into the market, Banc's shares were hammered by
26 massive sales, sending the price of Banc's shares down and causing economic harm
27 and damages to Class members.

28

POST CLASS PERIOD EVENTS AND ADMISSIONS

92. On March 1, 2017, Banc released its delayed 3Q16 10-Q and 2016 10-K acknowledging that during the Class Period it had material weaknesses in its internal controls over financial reporting stemming from an inadequate “tone at the top,” which rendered Banc’s disclosure controls and procedures ineffective. The 3Q16 10-Q stated:

Based on this evaluation, management concluded that the disclosure controls and procedures were not effective as of September 30, 2016 due to a material weakness in the design and operating effectiveness of our internal control over financial reporting as it relates to our control environment. . . . We determined that an inadequate tone at the top regarding the importance of internal control over financial reporting gave rise to the material weakness. . . . This ineffective tone at the top adversely impacted a number of processes resulting in an ineffective risk assessment process, ineffective monitoring activities, and insufficient resources or support which caused the Company to experience an increase in the number of control deficiencies across multiple processes.

93. The 3Q16 10-Q and 2016 10-K also identified the remedial actions Banc was taking to correct its material weaknesses in its internal controls:

(a) separated Sugarman’s positions of Chairman of the Board and CEO into two positions following his termination;

(b) created an “Office of the CEO/President” following Sugarman’s termination to improve “tone at the top” and place a renewed emphasis on compliance and control;

(c) eliminated the lead independent director and vice chair role previously held by Brownstein;

1 (d) enhanced the efficiency and transparency of Banc's Board
2 committees by eliminating the Executive Committee and separating the CNCG
3 Committees into two separate committees one focused on compensation and the other
4 focused on corporate governance;

5 (e) implemented a new policy to tighten controls on outside business
6 activities, such as those engaged by Sugarman, including limiting outside business
7 activities by officers and employees and requiring non-employee directors to avoid
8 outside business activities which would create a conflict of interest or appearance of
9 such; and

10 (f) implemented a policy to limit related-party transactions and require
11 a more rigorous review prior to any approval.

12 **ADDITIONAL SCIENTER ALLEGATIONS**

13 94. As alleged herein, defendants acted with scienter in that: (1) they knew,
14 or recklessly disregarded, that the public documents and statements issued or
15 disseminated on behalf of Banc (or in their own name) were materially false and
16 misleading; (2) they knew or recklessly disregarded that such statements or documents
17 would be issued or disseminated to the investing public; and (3) they knowingly and
18 substantially participated or acquiesced in the issuance or dissemination of such
19 statements or documents as primary violations of the federal securities laws.
20 Defendants, by virtue of their receipt of information reflecting the true facts regarding
21 Banc, their control over, and/or receipt and/or modification of Banc's allegedly
22 materially misleading misstatements, were active and culpable participants in the
23 fraudulent scheme alleged herein.

24 95. Defendants knew or recklessly disregarded the false and misleading
25 nature of the information that they caused to be disseminated to the investing public
26 and their omissions of material facts. The fraud alleged herein, and concealment of
27 material information from investors, could not have been perpetrated during the Class
28

1 Period without the knowledge and complicity or, at least, the reckless disregard of the
2 personnel at the highest levels of Banc, including the Individual Defendants.

3 96. The fraud alleged herein relates to Sugarman's ties to Galanis through
4 entities and limited liability companies he controlled and owned, therefore, knowledge
5 of the fraud may be imputed to Sugarman individually and to Banc based on
6 Sugarman's position as CEO.

7 97. Both Banc and Sugarman were motivated to hide the latter's connections
8 with Galanis from investors because, as Sugarman once wrote in his book on how to
9 spot corporate fraud, "the background of the person at the top can be one of the most
10 important factors in the health of a company" and therefore, "[a]ny CEO with a
11 questionable past should raise immediate alarm bells among investors." Sugarman
12 also knew that "a close look at an executive's history can give a clue to potential
13 problems, no matter how aggressive a company's public relations clean-up job has
14 been." Messing & Sugarman, above.

15 98. Knowledge of the fraud alleged herein can also be imputed to defendants
16 based on their admission that before the Class Period, the Company had initiated an
17 investigation into the ties between Galanis, Banc and Banc's officers and directors.
18 Banc admitted that by 2015 it was aware of Galanis's indictment in the Gerova fraud
19 and of the same allegations as those raised in the *SeekingAlpha* article, which included
20 Galanis's ties to Banc and its executives and directors and Galanis's control of certain
21 entities in the COR Group of companies. Banc also admitted that it began an internal
22 investigation into these matters when it became aware of them.

23 99. A strong inference of scienter is supported by other admissions and facts
24 surrounding the circumstances of Banc's internal investigation into the ties with
25 Galanis, including that:

- 26 • In their October 18 and 19, 2016 statements, defendants knowingly
27 misled investors about the independence of the internal investigation;
28

- 1 • As admitted by defendants, Banc’s initial internal investigation was not
2 independent as it was led by management who had a stake in the
3 outcome and was directed by conflicted counsel who had a relationship
4 with both Banc and Sugarman;
- 5 • Banc initially told investors that the results of the internal investigation
6 failed to disclose any ownership interest by Galanis in Banc, and
7 affirmatively confirmed that he exercised no direct or indirect control
8 over Banc “or any entity owned or affiliated with Sugarman or any other
9 member of the Board of Directors.” In contrast, when Banc announced
10 the results of the independent investigation led by WilmerHale, Banc
11 stated that the inquiry did not find evidence that Galanis had any direct
12 or indirect control or undue influence over Banc but did not confirm the
13 previous finding that Galanis exercised no direct or indirect control over
14 entities owned or affiliated with Sugarman or any other member of the
15 Board of Directors.
- 16 • Although defendants knew of Galanis’s alleged ties to Banc, and his
17 alleged control of COR Group companies, defendants concealed these
18 facts from investors, as well as the fact that Banc was conducting an
19 internal investigation into these matters, during the Class Period.

20 100. Defendants also possessed substantial motive for concealing the internal
21 investigation and Galanis’s ties to Banc’s executives and officer, in particular
22 Sugarman, as they knew such information would be material to investors. Shortly
23 after the start of the Class Period, defendants received a letter from one of Banc’s
24 largest shareholders, PL Capital, LLC, expressing concern about misleading
25 statements contained in Sugarman’s biography published on Banc’s website and in
26 Banc’s publicly filed proxy statements. In a November 30, 2015 letter to Lead
27 Independent Director Brownstein, PL Capital pointed out that while Sugarman’s
28 biography touted he was a founding partner of GPS Partners LLC (“GPS”), the

1 biography failed to disclose that GPS (and the co-author of Sugarman's book) was the
2 subject of a SEC Cease and Desist Order relating to securities law violations that
3 occurred while Sugarman was owner, partner, member and Chief Compliance Officer
4 of GPS. Noting the materiality of the omitted information, the shareholder demanded
5 that such "material information . . . should be fully disclosed in the Company's SEC
6 filings and on the Company's website."³

7 101. On May 20, 2016, PL Capital sent Sugarman a letter raising concerns
8 about his employment outside of Banc, including his position as CEO of COR
9 Securities. The letter also raised concerns about Brownstein's independence as Lead
10 Independent Director and that too much control was vested in Brownstein as both
11 Lead Independent Director and Chair of the CNCG Committee.⁴

12 102. On September 19, 2016, Banc announced the resignation of CFO
13 McKinney stating that McKinney was "resigning for personal reasons." The next day,
14 *Bloomberg* reported that McKinney was hired by Kemper Corporation in Chicago to
15 be its CFO. McKinney was CFO of Banc for less than a year and his resignation
16 followed the departure of six other key financial officers who had resigned since 2011.
17 As Sugarman once wrote in his book, such corporate turnover is a "danger sign if ever
18 there was one."

19 103. On January 23, 2017, Banc simultaneously announced the preliminary
20 results of WilmerHale's inquiry into the ties between Galanis, Banc and Banc
21 executives and directors and that Sugarman was stepping down as Banc's CEO and

22 ³ The November 30, 2015 letter can be found at [https://www.sec.gov/Archives/](https://www.sec.gov/Archives/edgar/data/1169770/000089706915000537/cg646ex7.pdf)
23 [edgar/data/1169770/000089706915000537/cg646ex7.pdf](https://www.sec.gov/Archives/edgar/data/1169770/000089706915000537/cg646ex7.pdf).

24 ⁴ The May 20, 2016 letter can be found at [https://www.sec.gov/Archives/edgar/data/](https://www.sec.gov/Archives/edgar/data/1169770/000089706916001029/cg801ex9.pdf)
25 [1169770/000089706916001029/cg801ex9.pdf](https://www.sec.gov/Archives/edgar/data/1169770/000089706916001029/cg801ex9.pdf). Additionally, on May 29, 2017, Banc
26 publicly announced that it was advised by Glass, Lewis & Co., LLC, a leading
27 independent provider of corporate governance services, that another one of its
28 purported independent directors, Halle J. Benett, was not independent during the Class
Period based on Benett's previous employment with an investment banking firm that
provided underwriter services in certain public offerings of Banc's securities. This
further demonstrates, that during the Class Period, Banc's ostensibly independent
Board members were not independent as represented.

1 Chairman. In the same press release. Banc acknowledged that it misled investors as
2 to the independence of the internal investigation and that the SEC had opened a formal
3 investigation into Banc's misleading response to the *SeekingAlpha* article.

4 104. On February 8, 2017, Banc announced the final results of the
5 WilmerHale independent investigation and the next day announced that Brownstein
6 was also stepping down as a Banc director.

7 105. Banc also admitted that there were "material weaknesses" in the
8 Company's internal controls over its financial reporting. Banc admitted these
9 weaknesses existed in 2016 and were the result of the aggregation of control
10 deficiencies relating to Banc's "tone at the top," a term explained in the Committee of
11 Sponsoring Organizations Framework for Internal Controls ("COSO Framework")
12 that implicates the top-level of an organization's management, including the CEO and
13 CFO – the roles Sugarman and McKinney occupied at Banc.⁵

14 106. In an attempt at remediation of Banc's internal control weaknesses and
15 failures, Banc began implementing a host of changes targeted at the weaknesses that
16 led to the fraud alleged herein, including approval of a new policy to tighten controls

17 ⁵ The COSO Framework was developed and published in 1992 by COSO of the
18 former Treadway Commission. The 1992 publication included a section entitled
19 "Reporting to External Parties," and in 1997 COSO issued an addendum to this
20 section. The Framework was revised and reissued in 2013. According to the COSO
21 Framework, the control environment sets the tone for the entire structure of internal
22 control and has a pervasive influence on all business activity. The COSO Framework
23 summarizes the control environment as follows:

24 The control environment is the set of standards, processes, and structures
25 that provide the basis for carrying out internal control across the
26 organization. The board of directors and senior management establish
27 the tone at the top regarding the importance of internal control including
28 expected standards of conduct. Management reinforces expectations at
the various levels of the organization. The control environment
comprises the integrity and ethical values of the organization; the
parameters enabling the board of directors to carry out its governance
oversight responsibilities; the organizational structure and assignment of
authority and responsibility; the process for attracting, developing, and
retaining competent individuals; and the rigor around performance
measures, incentives, and rewards to drive accountability for
performance. The resulting control environment has a pervasive impact
on the overall system of internal control.

1 on the outside business activities of Banc's executives and board members and a new
2 policy to "add rigor" to the review of related-party transactions. Banc also disclosed
3 that the CEO and Chairman positions previously held by Sugarman were being
4 separated, that Brownstein's former role as lead independent director was being
5 eliminated and that the CNCG Committee, which Brownstein chaired, was being
6 separated into two separate committees.

7 107. Taken collectively, the facts alleged herein support a strong inference of
8 scienter.

9 **LOSS CAUSATION/ECONOMIC LOSS**

10 108. During the Class Period, as detailed herein, defendants engaged in a
11 scheme to deceive the market and a course of conduct that artificially inflated the
12 price of Banc common stock and operated as a fraud or deceit on Class Period
13 purchasers of Banc common stock. When defendants' prior misrepresentations,
14 omissions and fraudulent conduct began to be disclosed on October 18, 2016, the
15 price of Banc common stock fell precipitously as the prior artificial inflation began to
16 come out. As a result of their purchases of Banc common stock during the Class
17 Period, Plaintiff and the other Class members suffered economic loss, *i.e.*, damages,
18 under the federal securities laws.

19 **APPLICABILITY OF THE PRESUMPTION OF RELIANCE** 20 **AND FRAUD ON THE MARKET**

21 109. Plaintiff and the class are entitled to a presumption of reliance under
22 *Affiliated Ute Citizens v. United States*, 406 U.S. 128 (1972), because the claims
23 asserted herein against defendants are predicated upon omissions of material fact for
24 which there was a duty to disclose.

25 110. Plaintiff will also rely upon the presumption of reliance established by
26 the fraud-on-the-market doctrine in that, among other things:

27 (a) Defendants made public misrepresentations or failed to disclose
28 material facts during the Class Period;

- 1 (b) The omissions and misrepresentations were material;
- 2 (c) The Company's shares traded in an efficient market;
- 3 (d) The misrepresentations alleged would tend to induce a reasonable
- 4 investor to misjudge the value of the Company's shares; and
- 5 (e) Plaintiff and other members of the Class purchased Banc securities
- 6 between the time defendants misrepresented or failed to disclose material facts and the
- 7 time the true facts were disclosed, without knowledge of the misrepresented or
- 8 omitted facts.

9 111. At all relevant times, the market for Banc stock was efficient for the
10 following reasons, among others:

- 11 (a) Banc stock met the requirements for listing, and was listed and
- 12 actively traded on the NYSE, a highly efficient and automated market;
- 13 (b) As a regulated issuer, Banc filed periodic public reports with the
- 14 SEC; and
- 15 (c) Banc regularly communicated with public investors via established
- 16 market communication mechanisms, including through the regular dissemination of
- 17 press releases on the major news wire services and through other wide-ranging public
- 18 disclosures, such as communications with the financial press, securities analysts and
- 19 other similar reporting services.

20 **NO SAFE HARBOR**

21 112. Many (if not all) of defendants' false and misleading statements during
22 the Class Period were not forward-looking statements ("FLS") and/or identified as
23 such by defendants, and thus did not fall within any "Safe Harbor."

24 113. Banc's verbal "Safe Harbor" warnings accompanying its oral FLS issued
25 during the Class Period were ineffective to shield those statements from liability.

26 114. Defendants are also liable for any false or misleading FLS pleaded
27 because, at the time each FLS was made, the speaker knew the FLS was false or
28 misleading and the FLS was authorized and/or approved by an executive officer of

1 Banc who knew that the FLS was false. Further, none of the historic or present tense
2 statements made by defendants were assumptions underlying or relating to any plan,
3 projection or statement of future economic performance, as they were not stated to be
4 such assumptions underlying or relating to any projection or statement of future
5 economic performance when made.

6 **CLASS ACTION ALLEGATIONS**

7 115. Plaintiff brings this action as a class action pursuant to Rule 23 of the
8 Federal Rules of Civil Procedure on behalf of all persons who purchased Banc
9 publicly traded securities during the Class Period (the “Class”). Excluded from the
10 Class are defendants and their families, the officers and directors of the Company, at
11 all relevant times, members of their immediate families and their legal representatives,
12 heirs, successors or assigns, and any entity in which defendants have or had a
13 controlling interest.

14 116. The members of the Class are so numerous that joinder of all members is
15 impracticable. The Company’s stock is actively traded on the NYSE and there are
16 49.5 million shares of Banc stock outstanding. While the exact number of Class
17 members is unknown to Plaintiff at this time and can only be ascertained through
18 appropriate discovery, Plaintiff believes that there are hundreds of members in the
19 proposed Class. Record owners and other members of the Class may be identified
20 from records maintained by Banc or its transfer agent and may be notified of the
21 pendency of this action by mail, using the form of notice similar to that customarily
22 used in securities class actions.

23 117. Common questions of law and fact predominate and include: (i) whether
24 defendants violated the 1934 Act; (ii) whether defendants omitted and/or
25 misrepresented material facts; (iii) whether defendants knew or recklessly disregarded
26 that their statements were false; and (iv) whether defendants’ statements and/or
27 omissions artificially inflated the prices of Banc securities and the extent and
28 appropriate measure of damages.

1 118. Plaintiff's claims are typical of the claims of the members of the Class as
2 all members of the Class are similarly affected by defendants' wrongful conduct in
3 violation of federal law that is complained of herein.

4 119. Plaintiff will fairly and adequately protect the interests of the members of
5 the Class and has retained counsel competent and experienced in class and securities
6 litigation.

7 120. A class action is superior to all other available methods for the fair and
8 efficient adjudication of this controversy since joinder of all members is
9 impracticable. Furthermore, as the damages suffered by individual Class members
10 may be relatively small, the expense and burden of individual litigation make it
11 impossible for members of the Class to individually redress the wrongs done to them.
12 There will be no difficulty in the management of this action as a class action.

13 **COUNT I**

14 **For Violation of §10(b) of the 1934 Act and Rule 10b-5** 15 **Against All Defendants**

16 121. Plaintiff incorporates ¶¶1-120 by reference.

17 122. During the Class Period, defendants disseminated or approved the false
18 statements specified above, which they knew or recklessly disregarded were
19 misleading in that they contained misrepresentations and failed to disclose material
20 facts necessary in order to make the statements made, in light of the circumstances
21 under which they were made, not misleading.

22 123. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

23 (a) Employed devices, schemes and artifices to defraud;

24 (b) Made untrue statements of material facts or omitted to state
25 material facts necessary in order to make the statements made, in light of the
26 circumstances under which they were made, not misleading; or

(c) Engaged in acts, practices and a course of business that operated as a fraud or deceit upon Plaintiff and others similarly situated in connection with their purchases of Banc securities during the Class Period.

124. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Banc securities. Plaintiff and the Class would not have purchased Banc securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

125. As a direct and proximate result of these defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of Banc securities during the Class Period.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

126. Plaintiff incorporates ¶¶1-125 by reference.

127. During the Class Period, defendants acted as controlling persons of Banc within the meaning of §20(a) of the 1934 Act. By virtue of their positions and their power to control public statements about Banc, the Individual Defendants had the power and ability to control the actions of Banc and its employees. Banc controlled the Individual Defendants and its other officers and employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

A. Determining that this action is a proper class action, designating Plaintiff as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiff's counsel as Lead Counsel;

B. Awarding Plaintiff and the members of the Class damages and interest;

C. Awarding Plaintiff's reasonable costs, including attorneys' fees; and

1 D. Awarding such equitable/injunctive or other relief as the Court may deem
2 just and proper.

3 **JURY DEMAND**

4 Plaintiff demands a trial by jury.

5 DATED: May 31, 2017

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CERTIFICATE OF SERVICE

I hereby certify that on May 31, 2017, I authorized the electronic filing of the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the e-mail addresses denoted on the attached Electronic Mail Notice List, and I hereby certify that I caused to be mailed the foregoing document or paper via the United States Postal Service to the non-CM/ECF participants indicated on the attached Manual Notice List.

I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on May 31, 2017.

s/ LAURIE L. LARGENT
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Manual Notice List

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- (No manual recipients)